

1951 Annual Report

*Edison Brothers
Stores, Inc.*



Saint Louis, Missouri

Operating

BOARDS

03:4.33

1048r



Shoe Stores

Edison Brothers Stores, Inc.

315 WASHINGTON AVENUE • EXECUTIVE OFFICES • ST. LOUIS, MISSOURI

Founders

Harry Edison
President

Samuel B. Edison
*Executive Vice President
and Treasurer*

Irving Edison
Executive Vice President

Simon Edison
Executive Vice President

Mark A. Edison
(Deceased March 2, 1951)

ADDITIONAL OFFICERS

Joseph M. Arenson	Vice President
Alfred T. Leimbach	Vice President
Louis Liebson	Vice President
Jack Westbrook	Vice President
Sidney A. Levinson	Vice President
Frank P. Ricca	Vice President
Roy W. Oscarson	Vice President
Irving Halle	Vice President
Keith Kepley	Vice President
Wallace R. Clark	Asst. Vice President
Morgan I. Pitcher	Asst. Vice President
Eric P. Newman	Secretary

DIRECTORS

Harry Edison	Samuel B. Edison	Irving Edison	Simon Edison
George Frankenthaler	Louis Liebson	Roy W. Oscarson	

TRANSFER AGENT
*Bankers Trust Company
New York City*

REGISTRAR
*The Chase National Bank
New York City*

ANNUAL MEETING

The annual meeting of stockholders will be held in the office of the Company on April 28, 1952. A notice of the meeting with a proxy statement will be mailed to holders of common stock on or about April 11, 1952, at which time proxies will be requested by the Management.

Simplified Statement of Operation

we received

	1951	1950
For shoes; including house shoes, sandals, and rubber footwear.....	\$62,586,595	\$59,071,457
For hosiery, handbags and accessories.....	15,393,511	14,707,401
Total income received.....	\$77,980,106	73,778,858

costs and expenses

Merchandise, supplies, rentals, services, advertising, etc.....	59,201,306	55,723,519
Salaries and wages.....	12,545,338	11,728,378
Depreciation and amortization charges.....	942,731	858,009
Federal, state and local taxes.....	3,030,843	2,741,408
Total costs and expenses.....	75,720,218	71,051,314
Earnings for the year.....	2,259,888	2,727,544
Dividends paid to our stockholders.....	1,274,570	1,278,845
Balance retained in the business for expansion, payment of debts and operating requirements	\$ 985,318	\$ 1,448,699
In relation to sales, our earnings were.....	2.90%	3.70%
Earnings per common share outstanding.....	\$2.36	\$2.91
Dividends per share.....	1.20	1.20

The President's Message

TO THE STOCKHOLDERS

The highlights in your Company's operations for the year 1951 included a record volume of sales, lower inventories and a stronger financial position. The decline in net earnings is primarily due to the increased federal income tax rates.

After a decline in net sales for two successive years a record volume of \$77,980,106 was achieved in 1951. This volume represented an increase of 5.7% over the previous year.

A summary of operations appears on the preceding page. Attention is also directed to the several pages depicting typical stores, advertising, and exclusive brands of merchandise sold in your Company's 228 stores in operation at the close of the year.

NET EARNINGS

Net earnings of \$2,259,888 for the year compared with \$2,727,544 in 1950 and \$2,081,053 in 1949. Based upon the number of common shares outstanding at the end of each year, net earnings for 1951 were \$2.36 per share as compared with \$2.91 and \$2.14 for 1950 and 1949 respectively.

Federal, state and local taxes in 1951 amounted to \$3,030,843. This represents \$3.56 per share of common stock outstanding and compares with \$3.23 per share for the previous year.

Dividends paid on common stock were at the rate of \$1.20 per share for the year. A quarterly dividend of 30¢ per share was declared payable March 12, 1952.

FINANCIAL POSITION

The consolidated balance sheet reflects net working capital in the amount of \$16,178,173 on December 31, 1951. This represents an increase of \$298,473 as compared with the close of the previous year. It is significant, however, that inventories of \$10,258,381 were \$358,525 lower notwithstanding the increase from 220 stores at the beginning of the year to 228 stores at the end of the year.

The total of current assets exceeded the total of current liabilities by a ratio of 5.17 as compared with 4.30 on December 31, 1950. Cash and securities on December 31, 1951, amounted to \$10,886,779. This includes \$1,507,258 in U. S. Treasury Notes applied against federal income taxes on the balance sheet. Cash and securities alone exceeded current liabilities by \$5,501,471. The Company had no bank loans during 1951.

Payments under the sinking fund provisions applicable to the outstanding debenture issues amounted to \$207,500. At December 31, 1951, a total of 5,200 shares of its preferred stock had been acquired by the Company in the open market to cover sinking fund requirements through March, 1952.

STORE DEVELOPMENT

The investment in store construction and equipment during 1951 amounted to \$1,485,703. Of this amount \$475,740 was provided for out of depreciation reserves and write-offs applicable to the cost of previous investments.

During 1951 ten new stores were opened and seven old stores were completely remodeled. Other improvements and replacements were made to the extent deemed necessary. Pages 10 and 11 of this report include pictures of new and remodeled stores.

There are now five new stores under construction. Eight old stores are being remodeled in order to enhance their productivity.

Your Company will continue to add new units from time to time. Only particular locations in desired cities and localities and on favorable lease terms are being considered.

Store construction costs have shown a tendency to decline. Plans and specifications are carefully drawn in order to hold costs to a minimum without sacrificing modern design and efficient operation.

Charges against store operations for 1951 on account of depreciation and amortization amounted to \$942,731 as compared with \$858,009 in 1950. These charges will continue to rise somewhat but are expected to gradually level off.

SHOES...CONSUMER DEMAND

Due to the unsettled conditions in the shoe industry during the past year caused by the Korean conflict, shoe prices fluctuated sharply upward and later declined. Retail price increases met with consumer resistance. Notwithstanding this trend your Company maintained a high level of unit and dollar volume.

A satisfactory volume should continue during 1952 as we are now in a position to offer the consumer greater values, some at lower retail prices, due to the recent price decline in the hide, leather and manufacturing markets.

There are no shortages in view. The shoe industry is now in a more stable buyer's market. Your Company's year-end inventories were in line with its normal requirements.

HOSIERY, HANDBAGS

Net sales of hosiery, handbags and accessory items for 1951 amounted to \$15,393,511. This is an increase of 4.7% over the previous year and represents 19.7% of total sales.

Hosiery prices declined during the year and retail prices were somewhat further reduced since the close of last year. Nylon yarn is still in plentiful supply for hosiery production. Net hosiery sales in 1951 were ahead of 1950 notwithstanding the increased volume on account of scare buying immediately after the beginning of the Korean incident, and in spite of the decline in prices during 1951.

The volume in handbag sales continues to show improvement with an increase of 8.6% over the preceding year.

OUR EMPLOYEES

The established policy of promoting employees within the Company was actively pursued during the year. From the ranks of store employees, 37 received promotions as store managers and 71 salesmen became assistant store managers. Several store employees were promoted to home office executive positions.

Total salaries and wages, including Christmas bonuses, for 1951 in the amount of \$12,545,338 represent an increase of 7% as compared with the previous year. The Christmas bonuses aggregated approximately \$250,000 for each year. Contributions into the Employees Retirement Fund and toward the cost of the group insurance plan amounted to approximately \$265,000. Benefit payments under the group insurance plan for employees and their dependents amounted to \$155,000.

The Company's managers and employees make liberal personal contributions to local Community Chest and other meritorious fund raising campaigns whenever they are called upon. This supplements your Company's policy to support worthy charitable and civic endeavors in the 124 cities in which its stores are located.

ADDITIONAL DIRECTORS AND OFFICERS

We suffered an irreparable loss last year in the passing of our Executive Vice President and Treasurer, Mr. Mark A. Edison. As a founder and director he was a tower of strength in the upbuilding of your Company to its present national leadership. He left a trained and efficient departmental organization well able to carry on in the same high principle and traditions which formulated Company policy.

At a meeting of your Board of Directors held July 25, 1951, Messrs. Louis Liebson and Roy W. Oscarson, Vice Presidents, were elected as additional members of the Board of Directors. At the annual meeting of the Board held on April 23, 1951, additional officers were elected from the ranks of executive employees. Mr. Keith Kepley became a Vice President, Messrs. Morgan I. Pitcher and Wallace R. Clark became Assistant Vice Presidents and Mr. Eric P. Newman was elected Secretary.

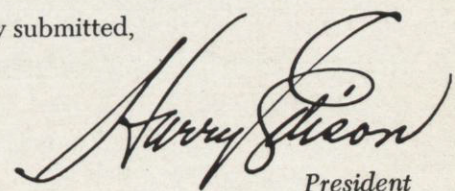
IN CLOSING

Through the cooperation and loyal efforts of all of our officers, executives and employees your Company has continued to prosper. For this we are indeed grateful. Maintaining close associations and mutually healthy relationships with the many responsible manufacturing resources is also a real asset.

Present buying habits of the consumer reflect a continued price consciousness and an awareness that the dollar they now spend can acquire greater values in many lines. Our national leadership in the popular price women's shoe retailing field affords us the opportunity to continue to offer the utmost in quality at the lowest price to the greatest number.

The Company is in a highly favorable position to meet its merchandising and other problems as they arise and has every reason to evaluate its continued progress with a feeling of confidence and optimism.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Harry Edison", written in a cursive style.

President

March 5, 1952
St. Louis, Missouri

Edison Brothers Stores, Inc.

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1951

NET SALES.....		\$77,980,106
COST OF GOODS SOLD AND STORE OPERATION EXCLUSIVE OF DEPRECIATION AND AMORTIZATION EXPENSE		68,727,749
		<u>9,252,357</u>
DEDUCT		
Administrative and general expenses.....	\$3,243,041	
Depreciation of store fixtures and amortization of improvements to leased premises.....	942,731	
Other expenses, net.....	<u>292,435</u>	4,478,207
		<u>4,774,150</u>
PROVISION FOR INCOME AND EXCESS PROFITS TAXES		
Federal	2,408,529	
State	<u>105,733</u>	2,514,262
EARNINGS FOR THE YEAR.....		<u>2,259,888</u>
DIVIDENDS PAID		
On Preferred Shares.....	254,968	
On Common Shares	<u>1,019,602</u>	1,274,570
SURPLUS FOR THE YEAR.....		<u>985,318</u>
EARNED SURPLUS		
Balance, December 31, 1950.....		<u>11,801,067</u>
BALANCE, DECEMBER 31, 1951.....		<u>\$12,786,385</u>
CAPITAL SURPLUS		
Balance, December 31, 1950.....		\$ 1,185,281
Premium on 2,489 Common Capital Shares sold under an employee's stock purchase plan.....	\$33,996	
Excess of the par value over cost of 540 Preferred Shares purchased for future Sinking Fund requirements.....	<u>5,428</u>	39,424
BALANCE, DECEMBER 31, 1951.....		<u>\$ 1,224,705</u>

Edison Brothers

(a Delaware corporation)

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash on hand and demand deposits.....		\$ 9,068,259
Securities—		
United States Government Securities at cost and accrued interest (quoted market or redemption value \$251,165).....	\$ 261,754	
Other marketable securities at cost and accrued interest (quoted market value \$44,278).....	49,508	311,262
Vendors' debit balance, notes receivable, etc.....		418,321
Merchandise inventories at the lower of cost or market—		
On hand	10,000,678	
In transit	257,703	10,258,381
TOTAL CURRENT ASSETS.....		20,056,223

OTHER ASSETS 135,233

FIXED ASSETS

	COST	RESERVE	NET
Improved real estate and real estate equities, of which \$276,900 are pledged to secure mortgage note of \$162,500	\$ 1,217,800	\$ 160,447	\$1,057,353
Store fixtures and office equipment.....	687,781	209,723	478,058
Improvements to leased premises.....	11,960,174	4,362,018	7,598,156
Leasehold investments	92,750	9,812	82,938
	<u>\$13,958,505</u>	<u>\$4,742,000</u>	9,216,505

DEFERRED CHARGES 376,029

\$29,783,990

Stores, Inc.

AND SUBSIDIARY COMPANIES

AS AT DECEMBER 31, 1951

LIABILITIES

CURRENT LIABILITIES

Accounts payable for merchandise.....	\$ 397,976
Expense items payable or accrued, including \$228,000 of current debentures and real estate mortgage installments.....	1,774,311
Funds collected or withheld for Governmental Agencies.....	713,021
Federal income and excess profits taxes, estimated, less \$1,507,258 of United States Treasury Notes acquired for prepayment (Note A).....	<u>992,742</u>
TOTAL CURRENT LIABILITIES.....	3,878,050

LONG TERM DEBT (Note B).....	4,628,500
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RESERVE FOR RISKS NOT COVERED BY INSURANCE

(Losses of less than \$10,000 at each retail unit).....	435,415
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CAPITAL STOCK AND SURPLUS

Preferred shares, par value \$100 per share—	
Authorized—65,000 shares	
Outstanding—59,800 shares, 4% cumulative (Note C).....	\$ 5,980,000
Common shares, par value \$1 per share—	
Authorized—1,200,000 shares	
Outstanding—850,935 shares.....	850,935
Capital surplus.....	1,224,705
Earned surplus (Note D).....	<u>12,786,385</u>
	<u>20,842,025</u>
	<u>\$29,783,990</u>

NOTES TO FINANCIAL STATEMENTS

- (A) Federal income and excess profits taxes payable are subject to final review and determination by the Bureau of Internal Revenue. The returns have been subjected to field examination through the year 1949, and all known liability, except for the year 1951, has been paid.
- (B) Long term debts consist of the following:

Sinking Fund Debentures—

Series A, 2½%, due January 15, 1959	\$1,472,000
Series B, 3½%, due January 15, 1963	1,472,000
Promissory note, 3½%, due January 15, 1967	1,750,000
Real Estate Mortgage Note, 4%, due July 1, 1960	162,500
Total	<u>\$4,856,500</u>

Less—Sinking fund and installment payments due in 1952 included in current liabilities	228,000
	<u>\$4,628,500</u>

Annual sinking fund payments due January 14 of each year range from \$80,250 to \$86,250 until maturity in 1959 with respect to the Series A Debentures and from \$80,250 to \$87,500 until maturity in 1963 with respect to Series B Debentures. Contingent Sinking Fund Payments on July 14 of each year are also provided. Such payments are applicable one-half to Series A and one-half to Series B and are computed at 10% of the consolidated net profit for the preceding year reduced by Sinking Fund Payments, but in no event to exceed \$50,000. The promissory note of \$1,750,000 requires prepayments of \$200,000 per year beginning on January 15, 1960. The Real Estate Mortgage Note is payable in annual installments of not less than \$17,500 or more than \$35,000.

- (C) The preferred shares are redeemable at the option of the Board of Directors at any time in whole or in part at \$106 before July 1, 1953; at \$105 before July 1, 1955 and \$104 thereafter. Upon voluntary liquidation the preferred shareholders are entitled to be paid before any distribution to the Common shareholders, the amounts to which they would be entitled as recited above plus dividends accrued and unpaid whether or not earned or declared. Upon involuntary liquidation the Preferred Shares are entitled to \$100 per share and dividends as recited above.

Each year the company is required to acquire, or set aside in a sinking fund sufficient to purchase 1,300 preferred shares at \$104. The annual requirements have been met and 1,300 additional shares have been bought for future requirements.

- (D) The terms of the Sinking Fund Debentures, the Promissory note, and the Preferred Shares place certain restrictions on the payment of dividends and the purchase or redemption of Capital shares. Under such restrictions \$3,753,263 of surplus is available for such purposes at December 31, 1951. Such restriction will not prohibit the payment of dividends on preferred shares if after such payment the consolidated net current assets are not less than \$7,500,000.
- (E) The companies are obligated on leases extending beyond December 31, 1956 which cover premises occupied as stores, premises sublet to other and premises possession of which has not yet been taken. The net aggregate minimum rentals paid in 1951 on the said leases after deductions of minimum rentals received from sublet premises were \$3,014,000. In addition, some of said leases provide for payment of percentage rental and other items as additional rental.

ACCOUNTANTS' REPORT

Board of Directors
Edison Brothers Stores, Inc.
St. Louis, Missouri

We have examined the consolidated balance sheet of Edison Brothers Stores, Inc. and subsidiary companies as of December 31, 1951 and the related consolidated statement of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and surplus, together with the notes to financial statements, present fairly the consolidated financial position of Edison Brothers Stores, Inc. and subsidiary companies at December 31, 1951, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri
February 28, 1952

S. D. LEIDESDORF & Co.
Certified Public Accountants

Edison Brothers Stores, Inc.

RECORD OF PROGRESS

FISCAL YEAR	STORES END OF YEAR	NET SALES	SALARIES AND WAGES	TAXES PAID OR ACCRUED	NET INCOME	EARNINGS PER COMMON SHARE (4)
1923	1	\$ 282,949	\$ 30,917	\$ 176	\$ 22,907	\$
1924	3	548,569	48,612	225	33,362	
1925	6	878,057	95,807	881	56,796	
1926 (1)	8	1,440,785	167,347	6,262	81,046	
1927	11	2,186,477	229,828	17,059	87,063	
1928 (2)	17	3,157,115	402,069	36,493	215,191	
1929	34	3,778,460	531,758	42,515	230,223	0.29
1930	42	4,912,247	632,291	40,458	173,854	0.18
1931	50	6,423,307	789,759	31,208	30,420	(0.03)
1932	63	8,017,960	1,018,624	26,412	112,528	0.10
1933 (3)	75	10,189,048	1,331,425	126,579	484,186	0.69
1934	85	14,125,387	1,927,266	136,285	567,961	0.82
1935	92	16,295,595	2,233,601	150,217	609,058	0.87
1936	102	19,689,865	2,679,398	292,614	796,756	1.05
1937	121	23,764,677	3,370,557	349,354	714,782	0.87
1938	123	24,205,239	3,387,668	397,538	919,323	1.10
1939	131	24,911,899	3,481,150	408,274	897,055	1.07
1940	142	26,481,080	3,630,088	643,145	1,041,223	1.26
1941	162	33,613,756	4,455,079	1,521,757	1,305,680	1.59
1942	168	45,952,208	5,912,048	3,486,191	1,249,024	1.44
1943	166	39,775,724	5,510,760	2,345,193	1,130,781	1.29
1944	169	44,542,663	6,245,562	2,335,944	1,091,825	1.24
1945	170	53,215,144	7,533,392	3,787,177	1,360,520	1.39
1946	180	65,670,766	9,408,814	2,288,188	3,182,178	3.53
1947	188	70,938,706	10,384,061	2,304,590	2,817,147	3.02
1948	202	75,026,770	11,506,526	2,198,924	2,526,307	2.67
1949	213	74,156,492	11,730,521	1,964,509	2,081,053	2.14
1950	220	73,778,858	11,728,378	2,741,408	2,727,544	2.91
1951	228	77,980,106	12,545,338	3,030,843	2,259,888	2.36

(1) Partnership incorporated August 2, 1926 — Edison Brothers Company.

(2) Thirteen months ended January 31, 1929. Edison Brothers Stores, Inc., incorporated March 13, 1929.

(3) Eleven months period. Changed from fiscal year ended January 31 to calendar year.

(4) Based upon number of common shares outstanding at end of each year except that retroactive effect was given to the 3 for 1 split-up as of March 1, 1937, and the 2 for 1 split-up effective January 28, 1946.

BURT'S SHOES

LEEDS

BURT'S SHOE

BURT'S SHOES

*Largest Exclusive Retailers
of Women's Shoes
in America*

Bakers SHOES

Burt's

QualiCraft Shoes

LEED'S

QualiCraft Shoes

LEED'S

QualiCraft Shoes

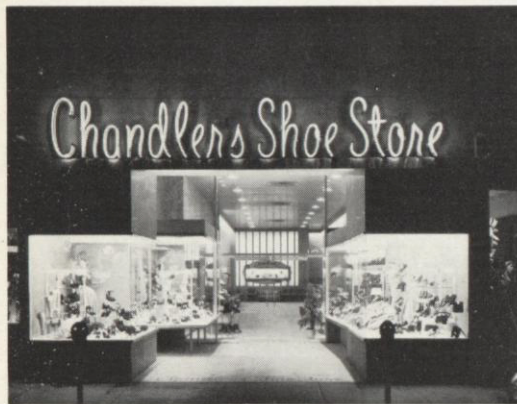
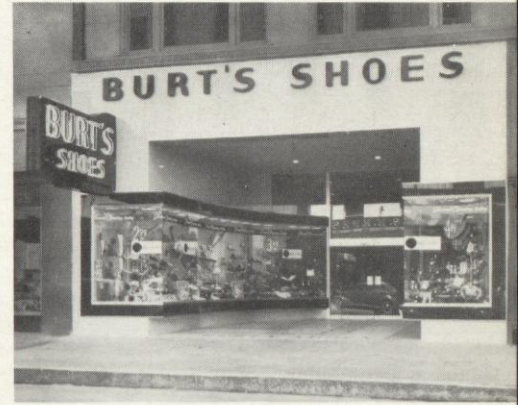
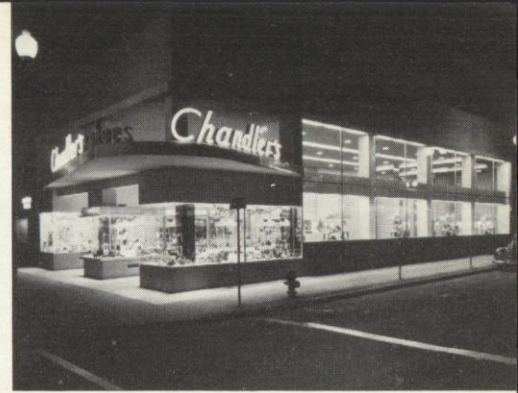
LEED'S QualiCraft Shoes

LEED'S QualiCraft Shoes

BAKERS

Baker's
Shoes

Baker's
SHOES



**228 STORES
FROM COAST TO COAST IN 36 STATES**

Alabama 8
Arizona 2
Arkansas 2
California 61
Colorado 3
Connecticut 1
District of
Columbia 2

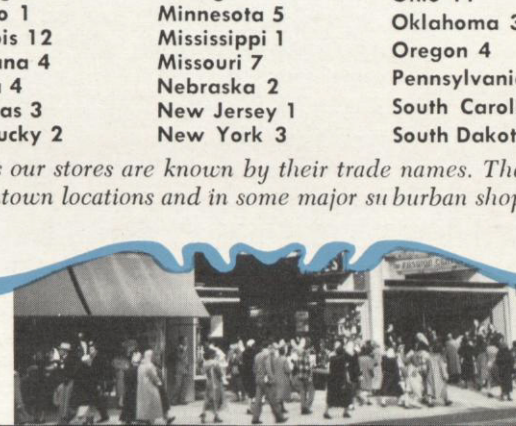
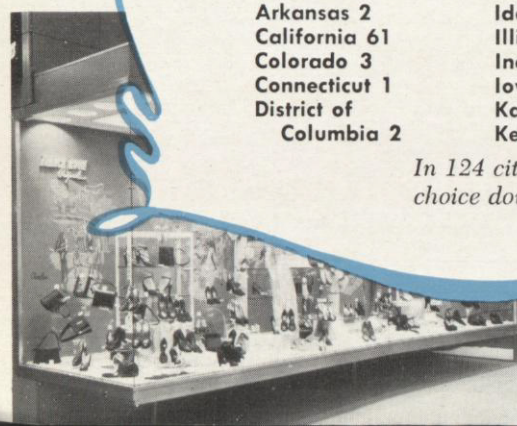
Florida 5
Georgia 3
Idaho 1
Illinois 12
Indiana 4
Iowa 4
Kansas 3
Kentucky 2

Louisiana 10
Michigan 12
Minnesota 5
Mississippi 1
Missouri 7
Nebraska 2
New Jersey 1
New York 3

North Carolina 2
Ohio 11
Oklahoma 3
Oregon 4
Pennsylvania 4
South Carolina 1
South Dakota 1

Tennessee 11
Texas 20
Utah 3
Virginia 3
Washington 6
West Virginia 1
Wisconsin 4

In 124 cities our stores are known by their trade names. The stores are in choice downtown locations and in some major suburban shopping centers.



Advertising

LOCAL

NATIONAL



Consistent advertising in dominant local newspapers brings over 20 million weekly fashion and value messages to customers in support of our various stores.



Throughout the year, distinctive advertising in leading magazines builds confidence in the fashion authenticity and value of EBS exclusive brands.

FRENCH ROOM
Originals

QualiCraft

Stylepride



Casualets

PLAYGOERS

exclusive

EBS

Brands

each leads its field in quality, in fashion, in value

SPORT STEPS

Flair Flats

Teen treds

MAR-V-LUS

FRENCH ROOM
Hosiery



EDISON BROTHERS STORES, INC.

EXECUTIVE OFFICES

315 WASHINGTON AVE.

ST. LOUIS, MO.

**WE RECOGNIZE
OUR RESPONSIBILITY . . .**

"to satisfy millions of customers by supplying the best shoe values at the lowest possible cost, with courtesy and efficiency.

"to concern ourselves with the welfare and prosperity of our thousands of employes.

"to secure a fair return for our stockholders and investors.

"to integrate all of these for the common good."